

**Cadbury Schweppes Preliminary Trading Update  
3pm Analyst and Investor Conference Call Transcript  
11<sup>th</sup> December 2007**

**Todd Stitzer, Chief Executive Officer:**

Good morning ladies and gentlemen for those of you in the States, and good afternoon for anyone who has joined from other parts of the world. I'm Todd Stitzer and I'm joined by our CFO Ken Hanna. As I'm sure you know we've issued a trading update this morning ahead of our year end in a few weeks time.

As I'm sure you know, we've issued a trading update this morning ahead of our year-end in a few weeks time.

I'm pleased to report that our confectionery operations have continued to perform strongly over the past two months since we last commented on trading in early October.

As a result, we are raising guidance for the confectionery business in 2007 for both revenue growth and margins. .

In relation to revenue, we expect confectionery revenue growth to be above the top end of our new annual revenue growth goal of 4-6%.

In relation to margins, we had previously guided the market that we were not expecting to increase underlying confectionery margins this year largely due to higher input costs... Given the strength of our top-line performance during the year, we now anticipate delivering a modest increase in confectionery margins this year.

We are also reporting today on our US beverage business. While markets there remain challenging, our business continues to outperform.

Most of you will be aware that we are separating our beverage and confectionery business and I can confirm that plans for the demerger are on track with our timeline for this to complete in the second quarter of next year.

Let me briefly provide more detail on performance.

Starting with confectionery.

Our underlying confectionery performance has clearly been very strong this year driven by continued double-digit growth in gum and emerging markets. However, performance has also been boosted by the recovery in our Great Britain chocolate business, the launch of gum in Great Britain and an exceptional year in US gum.

In Great Britain, our 2006 comparatives were weak as the business was impacted by a major product recall and the hot weather. We have also benefited from the launch of a Glass and a Half Full Productions with the hugely successful Gorilla ad', and the relaunch of the much-loved Wispa. The business has also benefited from the successful launch this year of the Trident brand.

Our Americas confectionery business is having another outstanding year with strong momentum across the region driven by gum category growth, share gains and innovation.

Our gum share in the US is up 300bps year to date with Trident and Stride again key drivers. We have now delivered share growth in gum for 36 consecutive months with our share at nearly 35%! It is interesting to recall that when we bought Adams five years ago our US gum share was 27% and had been declining for a number of years.

Asia Pacific has had a more difficult 2007, after a number of very good years. In Australia, ownership changes in the retail market have been challenging for the business with a significant increase in competitive activity. And in the emerging markets in the region, our important business in Thailand has been impacted by the difficult political and economic situation there.

However, our business in India has continued to perform exceptionally well, boosted by the successful launch of bubblegum early in the second half.

As most of you are aware, in line with the rest of the food industry, we are experiencing considerable cost inflation.

Commodity inflation for our confectionery business has increased in the second half, particularly for dairy products.

We have started to pass on these increases in the form of higher prices across most of our businesses, though most of this benefit will only be felt in 2008.

While the broader economic outlook for 2008 is uncertain, we are confident that the momentum we have enjoyed in 2007, driven by significant investment in growth and capabilities, will feed through to next year.

Moving on to Americas Beverages.

2007 has been a challenging year for the US beverage industry but the market has improved in recent months and we have continued to take share in CSD's .

The main drivers have been improved performance from Dr Pepper, the continued growth of core flavour brands like Sunkist, A&W and 7UP, and Snapple which is reaping the rewards of the steady stream of innovation through the year, primarily in super premium teas.

As we reported in October, the launch of Accelerade, our new sports drink, has been disappointing with launch losses expected to be around £30m in the year. Going forward, we have decided to focus our efforts on a narrower range of channels and do not expect to incur further losses.

For the year as a whole, given the good revenue momentum, we would expect Americas Beverages like-for-like growth to between 4% and 5%. The business remains on track to deliver a modest improvement in underlying profits with margins diluted by the consolidation of bottling acquisitions and the losses incurred on the launch of Accelerade.

Looking into next year, given the further strengthening in the oil price, we expect Americas Beverages' commodity inputs to be at the upper end of the 5% - 6% range indicated at our October trading statement. As also indicated at the time, we expect the lost contribution from the termination of the Glaceau contract to be around £20m although this will be more than offset by the absence of Accelerade launch losses. In addition, management are making very good progress on the cost cutting

programme announced in October and are on track to deliver £35m of cost savings during the year.

In summary, we are having a strong year in confectionery with revenue performance clearly benefiting from several years of sustained investment behind growth and we continue to make good progress on our confectionery efficiency initiatives.

Americas Beverages is performing well in challenging market conditions.

Cadbury Schweppes is a resilient and focussed organisation. As we prepare to separate our confectionery and beverages business and look forward to the close of the year, I would like to take the opportunity publicly to thank all employees of Cadbury Schweppes for their incredible hard work and dedication in what has been another challenging year, and I wish you all a happy and restful holiday break.

We are happy now to take your questions.

**Terry Bivens, Bear Stearns:** Just a quick question on the UK Todd, sometimes it's hard for us to keep a track of it over here but could you give us a little colour on the so-called second wave of products there as you continue to go up against Wrigley in the UK?

**Todd Stitzer:** In July we launched other flavour variants of our two main product platforms, centre filled Splash and Trident Soft. We also launched a bottle gum product in the shape of a sphere which looks like a soccer ball. That has gone reasonably well. We also launched variations of our Mastication for the Nation television creative. Our gum revenues have totalled about 50% more than our

original plan which we thought was reasonably aggressive. So the revenues have been significantly higher than we anticipated. The market has grown about 17% and our share is around about where we thought it would be when we started the project which is about 10%. Wrigley has certainly pushed back as we would have expected and as we said to the market when we launched Trident it's a three to four year project, and we expect significant competition. That in sum is our perspective on the gum launch in the UK. We certainly have a third wave to come. We haven't been specific about when that wave would come so I'd prefer not to really comment on that.

**Terry Bivens:** Fair enough. And that 17% you cited is the year-to-date figure?

**Todd Stitzer:** Yes.

**Bill Leach, Neuberger Berman:** I just had a question about reporting the two segments.

You're putting beverages back in your consolidated statement now, so when you report your full year results are you going to provide clarification as to how the ongoing Confectionery company is doing because it's kind of confusing taking the business out and then putting it back in.

**Ken Hanna:** Yes we're forced to do this by accounting convention, but let me assure you the minute our results hit the wires – and we've already agreed this with our auditors – we'll clearly show our beverages and Confectionery results, revenue growth and margin separately, and then obviously in our more detailed accounts we'll do that as well.

**Bill Leach:** And that will be at the end of February?

**Ken Hanna:** 19<sup>th</sup> February and on that day we'll clearly show the difference, and obviously we'll have a presentation that day as well which will be available on the web, but just when you look at the press release first thing in your morning you'll see the different results for each business line.

**Bill Leach:** And would you anticipate providing guidance on the capital structure of the two companies around then?

**Ken Hanna:** Around then. A lot of it depends on the SEC filings that we're doing for beverages but I would say around that time we will give more guidance on the capital structure.

**Todd Duvick, Bank of America:** First of all I don't mean to sound like a broken record here but following on Bill Leach's question with respect to the capital structure of the two companies, I'm just trying to tie it in with some of the comments that were made earlier and trying to find out if you expect debt to travel with the beverage business from Cadbury Schweppes to the beverage business.

**Ken Hanna:** Our guidance on the Confectionery debt levels has not changed. Let me repeat it is exactly the same as the indication we gave in June which is we will leave Confectionery with debt to EBITDA in the region of 1.75 to 2 times, targeting a BBB+ debt rating – obviously that's the target – but that has not changed. For beverages, we've just not decided yet. We're working on hard on it but a lot depends on the state of the credit markets. Clearly some element of the debt that we currently have will travel with the beverage business because we currently have circa £3 billion of debt in Cadbury Schweppes. And I would say less than half of that would stay with

the Confectionery business, and slightly more than half of that implied by being financed by the beverage business.

**Todd Duvick:** What I'm really trying to get at here is if any of the bonds, especially the US dollar bonds, would travel with the beverage business because those were, as I understand it, actually issued to finance the Adams acquisition.

**Ken Hanna:** This will only be commercial paper and short term debt. All of the bonds will stay with Cadbury plc, the Confectionery company.

**Todd Duvick:** And also yesterday I'm sure you're aware that you've issued a press release related to Trian Funds along with the Qatar Investment Authority increasing or actually accumulating a stake through some security instruments of about 1%, which would increase Trian's stake to about 4.5%. Have you had any recent conversations with Trian or Nelson Peltz specifically recently? Is there anything you can tell us on that front?

**Todd Stitzer:** Todd all we can tell you is what we said yesterday in our release. We have a pretty firm policy of not sharing the contents of conversations with our investors for obvious reasons. So we acknowledged yesterday that the stake had increased and that's all we're free to say.

**Todd Duvick:** I guess the past couple of weeks Peter Brabeck of Nestlé has been talking about wanting to buy back the rights to the Kit Kat brand, and I was just wanting to know from your standpoint with the relationship that you have with Hershey if you have...I understand that some of your brands are tied up with

Hershey in the long term evergreen contract. Any hopes of kind of extracting the value from that contract and regaining the rights to those brands in the near term?

**Todd Stitzer:** I would prefer as with all matters relating to Hershey not to comment on that. You know we do have a license with them. They sell our products in the States and that's a fact that is certainly clear but as to the future of that, that's between Hershey and ourselves.

**Jeff Kanter, UBS O'Connor:** The Five launch here in the US, it's my understanding that Five has around a 5%/6% share of sugarless [gum] but it's also my understanding that that share is not coming from Stride. Can you confirm that or give us an update on the dynamics of that launch versus Stride?

**Todd Stitzer:** Well, our Stride share is now 5.9% and it is our understanding from the information we get that Five is around 5%/6%. It's our impression examining that same share data that the share is coming from other Wrigley gum brands and other brands in the market, not necessarily from our brands.

**Jeff Kanter:** Okay so Stride really hasn't missed a beat.

**Todd Stitzer:** Stride continues to gain share.

**Jeff Kanter:** Thank you. Also with respect to the new Board member replacing John Sunderland is there any update there as far as the timing?

**Todd Stitzer:** No update there.

**Jeff Kanter:** Just to refresh my memory Todd, when should we expect an announcement or what is the timeline we were given?

**Todd Stitzer:** A timeline wasn't really given. We said that John would supervise the selection of a Beverages Chairman and would retire on the demerger. The demerger is scheduled for some time in the second quarter so that was the rough timing we gave.

**Jeff Kanter:** And as far as the restructuring updates, you are half a year or so into it, you have this mid-teens margin goal I think it was by 2011. Is there any update as to the opportunities that you see, and where the timings of those gains may be front end loaded, back end loaded, too conservative? Can you give us a sense on what you're seeing here?

**Todd Stitzer:** I think we'll be able to give you better visibility on margins for 2008 in February at our preliminary results announcement. I think you were at our June 19<sup>th</sup> presentation and clearly our October announcement made a significant step forward in terms of what we described, and I think it's fair to expect we'd update if we had any significant changes in it. But at this point October stands as October was presented and we'll give you an update in February.

**Jonathan Feeney, Wachovia:** Todd, obviously the recall had a big impact on the comparable quarter. Is there any way to quantify how much harder the BIMA comparison gets as we move into the first half of next year?

**Ken Hanna:** Yes. Our October 10<sup>th</sup> announcement demonstrated the fact that there was a bounce back in BIMA's quarter three numbers. The strength that we're seeing in

quarter four is a result of the momentum of innovation, of good advertising, and of the whole category growing as well. Now in terms of profit performance we've not been that specific at this stage.

**Jonathan Feeney:** But in terms of volumes your UK chocolate volume is roughly where it was in the first half of 2006 before June?

**Ken Hanna:** The UK chocolate market, not Cadbury, the UK chocolate market is up double digits for the second half of 2007. Now obviously some of that is the recall effect but there is an underlying increase in the market that is beyond that.

**Jonathan Feeney:** The market is ahead of where it was then before the recall, it's recovered all of that as a market?

**Ken Hanna:** As a market it has.

**Jonathan Feeney:** And my other question would be you've had so much success, or at least you are ahead of your plans, launching gum in the UK. Bigger picture, how quickly can we expect, if ever, you to expand your gum franchise to other markets where you've got defensible, profitable go-to-market around chocolate and other products?

**Todd Stitzer:** Well, you can count on us to exploit white space markets for gum and other products but in the context of an appropriate margin delivery through the business. The UK investment has been a big investment. It's a three to four year investment so I think first telling you which markets we will invest in would be a competitive secret that I'd prefer not to share, but secondly I want to assure you

that as we do it, we'll do it with an eye on margins so that we're not biting off more than we can chew in that regard – no pun intended.

**Ends**

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